

**CITY OF BELLE PLAINE**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2005**

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**City of Belle Plaine**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 2005)</b>		
Jim Daily	Mayor	Jan 2008
Harold Ealy	Mayor Pro tem	Jan 2008
Dick Wells	Council Member	Jan 2008
Bill Grieder	Council Member	Jan 2006
Marv DeRycke	Council Member	Jan 2006
Judy Breja	Council Member	Jan 2005
<b>(After January 2005)</b>		
Jim Daily	Mayor	Jan 2008
Harold Ealy	Mayor Pro tem	Jan 2008
Dick Wells	Council Member	Jan 2008
Bill Grieder	Council Member	Jan 2006
Marv DeRycke	Council Member	Jan 2006
Jim Kurovski	Council Member	Jan 2006
Kaye Buch	Clerk/Treasurer	Indefinite
Larry Schlue	Attorney	Indefinite

### Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Belle Plaine, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Belle Plaine's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Belle Plaine as of June 30, 2005, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our reports dated August 4, 2005 on our consideration of the City of Belle Plaine's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 11 and 27 through 29 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Belle Plaine's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

RIDIHALGH, FUELLING, SNITKER, WEBER, & CO., P.C.

August 4, 2005

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The City of Belle Plaine provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2005 FINANCIAL HIGHLIGHTS**

- Revenues of the City of Belle Plaine's governmental activities decreased approximately 18% or \$316,534, from fiscal 2004 to fiscal 2005 mainly because of bond proceeds issued during 2004, but there was a new local option sales tax effective in 2005. Property tax increased \$22,671.
- Disbursements increased in the areas of public works, culture & recreation and business type activities (enterprise) in the year June 30, 2004 to June 30, 2005. The increases were \$214,799, \$83,007, and \$91,735 respectively. Decreases were in public safety, health and social service, community and economic development, general government, debt service & capital projects by \$31,035, \$2,892, \$17,569, \$5,319 and \$608,561 & \$14,577 respectively.
- The City's total cash basis net assets decreased \$3,044 from June 30, 2004 to June 30, 2005. Of this amount, the assets of the governmental activities increased \$114,126 and the assets of the business type activities decreased \$117,170.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the non-major governmental funds.

### **BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting

does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse as a result of the year's activities?" The Statement of activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, sanitary sewer system and garbage. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

1. Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund 4) the Capital Projects Funds and 5) the Permanent Funds. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

2. Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the water, sewer and garbage funds, considered to be major funds of the City.

The required financial statements for proprietary funds include a statement of cash receipts, disbursement and changes in cash balances.

Reconciliations between the government-wide statement and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased \$15,919 from a year ago, decreasing from \$718,127 to \$702,208. The analysis that follows focuses on the changes in cash balances for governmental activities.

### Changes in Cash Basis Net Assets of Governmental Activities

	<u>Year ended June 30,</u>	
	<u>2005</u>	<u>2004</u>
Receipts and transfers:		
Program receipts:		
Charges for service	\$ 78,228	76,044
Operating grants, contributions and restricted interest	436,059	295,771
Capital grants, contributions, and restricted interest	132,599	91,981
General receipts		
Property Tax	901,535	878,864
Unrestricted investment earnings	19,848	21,719
Bond proceeds	-	592,148
Local Option Sales Tax	147,314	-
Other general receipts	31,126	106,716
Transfers	<u>64,432</u>	<u>-</u>
Total receipts and transfers	\$1,164,255	2,063,243
Disbursements:		
Public safety	290,660	321,695
Public works	489,343	274,544
Health and social services	6,532	9,424
Culture and recreation	345,254	262,247
Community and economic development	-	17,569
General government	164,953	170,272
Debt service	253,919	862,480
Capital projects	<u>146,354</u>	<u>160,931</u>
Total disbursements	<u>1,697,015</u>	<u>2,079,162</u>
Increase (decrease) in cash basis net assets	114,126	(15,919)
Cash basis net assets beginning of year	<u>702,208</u>	<u>718,127</u>
Cash basis net assets end of year	<u>\$ 816,334</u>	<u>702,208</u>

The City's total receipts for governmental activities decreased \$435,192. The total cost of all programs and services decreased by \$382,147. The increase in property taxes was the result of increased taxable value in property. The tax rate was decreased from \$16.78 to \$16.44 per thousand valuation.

The increase of taxes for 2005 raised the City's property tax receipts by \$22,671. Property taxes are expected to decrease by \$86,365 next year due to the local option sales tax portion attributed to property tax relief, and a decrease in debt service.

The cost of all governmental activities this year was \$1,697,015 compared to \$2,079,162 last year. However, as shown in the Statement of Activities and Net Assets, the amount taxpayers ultimately financed for these activities was only \$1,127,077 because some of the cost was paid by



other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$568,658). Debt service totaled \$253,919 compared to \$862,480 in 2004.

Changes in Cash Basis Net Assets of Business Type Activities

	<u>Year ended June 30</u>	
	<u>2005</u>	<u>2004</u>
Receipts:		
Program receipts:		
Charges for service		
Water	\$290,989	227,495
Sewer	199,949	210,023
Garbage	186,681	206,726
Operating grants, contributions and restricted interest	3,825	-
General receipts:		
Other general receipts	<u>22,185</u>	<u>26,253</u>
Total Receipts	<u>703,629</u>	<u>740,748</u>
Disbursements and transfers:		
Water	242,108	261,589
Sewer	226,113	197,248
Garbage	283,447	201,435
Meter Deposits	4,699	4,360
Transfers	<u>64,432</u>	<u>-</u>
Total disbursement & transfers	<u>820,799</u>	<u>664,632</u>
Change in cash basis net assets	(117,170)	76,116
Cash basis net assets beginning of year	<u>830,137</u>	<u>754,021</u>
Cash basis net assets end of year	<u>712,967</u>	<u>830,137</u>

Total business type activities receipts for the fiscal year were \$703,629 compared to \$740,748 last year. The cash balance decreased by \$117,170. Total disbursements for the fiscal year increased by 19% to a total of \$156,167.

**INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As Belle Plaine completed this year, its governmental funds reported a combined fund balance of \$816,334, an increase of \$ 114,126 above last year's total of \$ 702,208. The following are the major reasons for the change in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$ 18,043 from the prior year. The increase of property taxes (\$20,732) and the first year of local option sales tax (\$147,763) helped the general fund.
- The Road Use Tax Fund cash balance decreased \$ 79,054 due to an overlay street project.
- The Urban Renewal Tax Increment Fund received \$108,739 for the fiscal year 2005. This was an increase of \$6,084 from last year.
- The Debt Service Fund cash balance increased from -\$43,277 to \$3,233. The City transferred funds into Debt Service to help the balance. Last year's negative balance was

due to several past years insufficient TIF property tax to cover principal & interest payments.

#### **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Water Fund cash balance increased by \$156 with a balance at the end of the year of \$321,299 due primarily to an increase in the sale of water and reductions in debt service payments over the prior year.
- The Sewer Fund cash balance decreased by \$23,411 with the balance of at the end of the year of (\$14,294), due a slight decrease in sewer service sales.
- The Garbage Fund cash balance decreased by (\$91,641) with a balance at the end of the year of \$57,089 due to a new garbage contract and implementing a recycling program.

#### **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget two times. The amendment was approved on October 4, 2004 approving the 13<sup>th</sup> Street & 13<sup>th</sup> Avenue resurfacing projects and the purchase of the street sweeper. The second amendment was May 16, 2005 with several additions/changes to the budget.

#### **DEBT ADMINISTRATION**

At June 30, 2005, the City has approximately \$1,078,478 outstanding in bonds and other long-term debt, compared to approximately \$1,289,191 last year as shown below.

##### Outstanding Debt at Year End

	<u>Year ended June 30.</u>	
	<u>2005</u>	<u>2004</u>
General obligation bonds	\$ 533,478	638,191
Urban renewal tax increment financing	515,000	605,000
Revenue notes	<u>30,000</u>	<u>45,000</u>
Total	<u>\$ 1,078,478</u>	<u>1,288,191</u>

Debt was decreased because of paying off two debts during the year.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$1,078,478 is significantly below its constitutional debt limit of \$4,270,951.

#### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

Belle Plaine's elected and appointed officials and citizens considered many factors when setting the fiscal year 2006 budget, tax rates, and fees that will be charged for various Belle Plaine activities. One of those factors is the economy. The City's population increased according to the latest census by 44 people or 1.5%. Belle Plaine's population at the last census is 2,878. Unemployment in Belle Plaine (Benton County) now stands at 4.7 percent versus 6.2 percent a year ago. This compares with the State's unemployment rate of 3.4 percent and the national rate of 3.9 percent.

Inflation in the State continues to be somewhat lower than the national Consumer Price Index increase. The State's CPI increase was 3% percent for the fiscal year 2005 compared with the national rate of 3.4 percent. Inflation has been modest here due in part to the slowing of the residential housing market and modest increases in energy prices in 2004-2005.

These indicators were taken into account when adopting the budget for fiscal year 2006. Amounts available for appropriation in the operating budget are \$2,450,338, a decrease of 5% over the final 2005 budget. Property tax (benefiting from the 2005 rate increases and increases in assessed valuations) and proceeds from a newly formed local option sales tax within the county/city are expected to help with maintaining the budget. The City will use these increases in receipts to finance programs we currently offer. Budgeted disbursements are expected to decrease by \$271,806. Decreases in job positions and the completion of a street project represent the largest decreases in disbursements. The City has added no major new programs or initiatives to the 2006 budget.

If these estimates are realized, the City's budgeted cash balance is expected to increase by approximately \$35,271 by the close of 2006.

#### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kaye Buch, City Clerk, 1207 8th Avenue, Belle Plaine, Iowa 52208.

**City of Belle Plaine**

## **Basic Financial Statements**

## City of Belle Plaine

## Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2005

Functions / Programs:	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Public safety	\$ 290,660	15,692	350	-
Public works	489,343	3,308	331,259	-
Health and social services	6,532	10,700	1,061	-
Culture and recreation	345,254	35,663	76,115	-
Community and economic development	-	2,809	17,538	-
General government	164,953	10,056	9,736	-
Debt service	253,919	-	-	-
Capital projects	146,354	-	-	132,599
Total governmental activities	1,697,015	78,228	436,059	132,599
Business type activities:				
Water	242,108	290,989	-	-
Sewer	226,113	199,949	-	-
Garbage	283,447	186,681	-	-
Meter Deposits	4,699	3,825	-	-
Total business type activities	756,367	681,444	-	-
Total	\$ 2,453,382	759,672	436,059	132,599
General Receipts:				
Property tax levied for:				
General purposes				
Tax increment financing				
Debt service				
Local option sales tax				
Unrestricted interest on investments				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year, as restated				
Cash basis net assets end of year				
Cash Basis Net Assets				
Restricted:				
Streets				
Urban renewal projects				
Debt Service				
Other purposes				
Unrestricted				
Total cash basis net assets				

See notes to financial statements

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(274,618)	-	(274,618)
(154,776)	-	(154,776)
5,229	-	5,229
(233,476)	-	(233,476)
20,347	-	20,347
(145,161)	-	(145,161)
(253,919)	-	(253,919)
(13,755)	-	(13,755)
(1,050,129)	-	(1,050,129)
-	48,881	48,881
-	(26,164)	(26,164)
-	(96,766)	(96,766)
-	(874)	(874)
-	(74,923)	(74,923)
(1,050,129)	(74,923)	(1,125,052)
630,569	-	630,569
108,739	-	108,739
162,227	-	162,227
147,314	-	147,314
19,848	10,829	30,677
31,126	11,356	42,482
64,432	(64,432)	-
1,164,255	(42,247)	1,122,008
114,126	(117,170)	(3,044)
702,208	830,137	1,532,345
\$ 816,334	712,967	1,529,301
11,785	-	11,785
-	-	-
3,233	26,746	29,979
561,186	-	561,186
240,130	686,221	926,351
\$ 816,334	712,967	1,529,301

City of Belle Plaine  
Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Governmental Funds

As of and for the year ended June 30, 2005

	General	Special Revenue Road Use Tax	Debt Service	Other Nonmajor Governmental Funds	Total
Receipts:					
Property tax	\$ 478,222	-	162,102	150,280	790,604
Tax increment financing collections	-	-	-	108,739	108,739
Other city tax	147,763	-	125	128	148,016
Licenses and permits	10,056	-	-	-	10,056
Use of money and property	19,752	-	-	8,790	28,542
Intergovernmental	20,156	331,259	-	-	351,415
Charges for service	54,663	-	-	13,509	68,172
Special assessments	1,490	-	-	-	1,490
Miscellaneous	20,193	-	-	219,482	239,675
Total receipts	752,295	331,259	162,227	500,928	1,746,709
Disbursements:					
Operating:					
Public safety	232,430	-	-	58,230	290,660
Public works	32,700	410,313	-	46,330	489,343
Health and social services	-	-	-	6,532	6,532
Culture and recreation	223,894	-	-	121,360	345,254
Community and economic development	-	-	-	-	-
General government	151,322	-	-	13,631	164,953
Debt service	-	-	253,919	-	253,919
Capital projects	-	-	-	146,354	146,354
Total disbursements	640,346	410,313	253,919	392,437	1,697,015
Excess (deficiency) of receipts over (under) disbursements	111,949	(79,054)	(91,692)	108,491	49,694
Other financing sources (uses):					
Operating transfers in	12,904	-	138,202	143,934	295,040
Operating transfers out	(106,810)	-	-	(123,798)	(230,608)
Total other financing sources (uses)	(93,906)	-	138,202	20,136	64,432
Net change in cash balances	18,043	(79,054)	46,510	128,627	114,126
Cash balances beginning of year	126,730	90,839	(43,277)	527,916	702,208
Cash balances end of year	\$ 144,773	11,785	3,233	656,543	816,334
<b>Cash Basis Fund Balances</b>					
Reserved:					
Debt service	\$ -	-	3,233	-	3,233
Unreserved:					
General fund	144,773	-	-	-	144,773
Special revenue funds	-	11,785	-	63,712	75,497
Capital projects fund	-	-	-	31,645	31,645
Permanent fund	-	-	-	561,186	561,186
Total cash basis fund balances	\$ 144,773	11,785	3,233	656,543	816,334

See notes to financial statements



City of Belle Plaine

Reconciliation of the Statement of Cash  
Receipts, Disbursements and Changes in Cash Balances  
to the Statement of Activities and Net Assets -  
Governmental Funds

As of and for the year ended June 30, 2005

<b>Total governmental funds cash balances (page 16)</b>	\$816,334
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The city does not have an internal service fund.  
Therefore there are no reconciling items.

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<b>Cash basis net assets of governmental activities (page 15)</b>	<u><u>\$816,334</u></u>
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<b>Net change in cash balances (page 16)</b>	\$114,126
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The city does not have an internal service fund.  
Therefore there are no reconciling items.

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<b>Change in cash balance of governmental activities (page 15)</b>	<u><u>\$114,126</u></u>
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See notes to financial statements

## City of Belle Plaine

Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Proprietary Funds

As of and for the year ended June 30, 2005

	Enterprise Funds				Total
	Water	Sewer	Garbage	Other Nonmajor Proprietary Funds	
Operating receipts:					
Use of money and property	\$ 2,046	8,783	-	-	10,829
Charges for service	290,989	199,949	186,681	3,825	681,444
Miscellaneous	3,961	2,270	5,125	-	11,356
Total operating receipts	296,996	211,002	191,806	3,825	703,629
Operating disbursements:					
Business type activities	224,416	226,113	283,447	4,699	738,675
Total operating disbursements	224,416	226,113	283,447	4,699	738,675
Excess (deficiency) of operating receipts over (under) operating disbursements	72,580	(15,111)	(91,641)	(874)	(35,046)
Non-operating receipts (disbursements):					
Miscellaneous	-	-	-	-	-
Debt service	(17,692)	-	-	-	(17,692)
Total non-operating receipts (disbursements)	(17,692)	-	-	-	(17,692)
Excess (deficiency) of receipts over (under) disbursements	54,888	(15,111)	(91,641)	(874)	(52,738)
Operating transfers in/(out)	(54,732)	(8,300)	-	(1,400)	(64,432)
Net change in cash balances	156	(23,411)	(91,641)	(2,274)	(117,170)
Cash balances beginning of year	321,143	9,117	148,730	351,147	830,137
Cash balances end of year	\$321,299	(14,294)	57,089	348,873	712,967
Cash Basis Fund Balances					
Reserved for debt service	\$ -	-	-	26,746	26,746
Unreserved	321,299	(14,294)	57,089	322,127	686,221
Total cash basis fund balances	\$321,299	(14,294)	57,089	348,873	712,967

See notes to financial statements

City of Belle Plaine

Reconciliation of the Statement of Cash  
Receipts, Disbursements and Changes in Cash Balances  
to the Statement of Activities and Net Assets -  
Proprietary Funds

As of and for the year ended June 30, 2005

<b>Total enterprise funds cash balances (page 18)</b>	\$ 712,967
---	------------

The city does not have an internal service fund.  
Therefore there are no reconciling items.

-
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<b>Cash basis net assets of business type activities (page 15)</b>	<u><u>\$ 712,967</u></u>
--	--------------------------

<b>Net change in cash balances (page 18)</b>	\$(117,170)
--	-------------

The city does not have an internal service fund.  
Therefore there are no reconciling items.

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<b>Change in cash balance of business type activities (page 15)</b>	<u><u>\$(117,170)</u></u>
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See notes to financial statements

City of Belle Plaine  
Notes to Financial Statements  
June 30, 2005

**(1) Summary of Significant Accounting Policies**

The City of Belle Plaine is a political subdivision of the State of Iowa located in Benton County. It was first incorporated in 1868 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer, and garbage utilities for its citizens.

**A. Reporting Entity**

For financial reporting purposes, the City of Belle Plaine has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

**Jointly Governed Organizations**

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Benton County Joint E911 Service Board, Benton County Emergency Operations Commissions, Kirkwood Community College Community Education Agreement, and Williamsburg-Marengo-Belle Plaine Drug Task Force Agreement

**B. Basis of Presentation**

**Government-wide Financial Statements** - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Garbage fund accounts for the City's contract with Waste Management, Inc. for garbage and recycling pick up.

The City also reports the following additional proprietary funds:

A Water Revenue Bond Sinking Fund is utilized per debt covenants on Revenue Bonds.

A Sewer Replacement Fund is utilized as a savings fund for future sewer repair and replacement.

A Meter Deposits Fund is utilized to account for customer deposits for water and sewer services.

C. Measurement Focus and Basis of Accounting

The City of Belle Plaine maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005 disbursements did not exceed the amounts budgeted for each function.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2005, the City had the following investments:

Type	Carrying Amount	Fair Value	Maturity
U.S. government securities	\$ 830,005	\$ 830,005	Various Dates

**(3) Bonds and Notes Payable**

Annual debt service requirements to maturity for general obligation bonds, urban renewal tax increment financing revenue bonds and revenue notes are as follows:

Year Ending June 30,	General Obligation Bonds		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 188,478	39,946	15,000	1,695	203,478	41,641
2007	165,000	34,400	15,000	863	180,000	35,263
2008	170,000	29,407			170,000	29,408
2009	180,000	23,220			180,000	23,220
2010	185,000	15,792			185,000	15,793
2011	160,000	7,653			160,000	7,653
Total	\$ 1,048,478	150,418	30,000	2,558	1,078,478	152,978

The Code of Iowa requires principal and interest on general obligation bonds be paid from the Debt Service Fund.

The resolutions providing for the issuance of the revenue notes include the following provisions.

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) An additional annual transfer of \$16,000 to a sewer replacement reserve account within the Enterprise Fund shall be made until a specific minimum balances have been accumulated. These accounts are restricted for the purpose of paying for any additional improvements, extensions or repairs to the system.

**(4) Lease Purchase Agreements**

The City entered into a lease purchase agreement during the year with John Grieder Motors, Inc. for a police squad car. The lease purchase arrangement is for two years, with \$10,113 being paid each year during the fiscal years ended June 30, 2005 and 2006, with a \$1 buyout at the end of the lease period.

**(5) Pension and Retirement Benefits**

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll, except for police employees, in which case the percentages are 6.16% and 9.23%, respectively. For the year ended June 30, 2004, the contribution rates for police employees and the City were 5.93% and 8.907%, respectively, and for the year ended June 30, 2003, the contribution rates for police employees and the City were 6.04% and 9.07%,

respectively. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$31,378, \$34,303, and \$34,053, respectively, equal to the required contributions for each year.

**(6) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and sick leave hours. Vacation leave is for subsequent use or for payment upon termination, retirement or death. Unused sick leave is forfeited upon termination, retirement, or death. The accumulation of vacation leave is not recognized as a disbursement by the City until used or paid. The City's approximate liability for earned vacation termination payments payable to employees at June 30, 2005, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	<u>\$ 16,683</u>

This liability has been computed based on rates of pay in effect at June 30, 2005.

**(7) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

Transfer to	Transfer from	Amount
General	Trust & Agency Library Improvement	\$ 12,190
Special Revenue: Accrual	Capital Projects Hwy 131	\$ 2,155
	General	\$ 15,595
	General	\$ 17,051
	General	\$ 7,873
	Enterprise	
	Sewer	\$ 4,000
	Sewer	\$ 5,000
	Water	\$ 18,875
	Water	\$ 36,557
Special Revenue LOST	General	\$ 36,829
Debt Service	Special Revenue TIF	\$108,739
	General	\$ 29,463
Enterprise	Enterprise	
Water	Meter Deposit	\$ 700
Sewer	Meter Deposit	\$ 700



Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

**(8) Related Party Transactions**

The City had business transactions between the City and City officials totaling \$13,041 during the year ended June 30, 2005.

**(9) Risk Management**

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(10) Deficit Fund Balance**

The Sewer Fund had a deficit balance of \$14,294 at June 30, 2005. The Council is aware of the deficit balance and is working to cure it.

**Required Supplementary Information**

City of Belle Plaine  
 Budgetary Comparison Schedule  
 of Receipts, Disbursements, and Changes in Balances -  
 Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2005

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 790,604	-	-
Tax increment financing collections	108,739	-	-
Other city tax	148,016	-	-
Licenses and permits	10,056	-	-
Use of money and property	28,542	10,829	-
Intergovernmental	351,415	-	-
Charges for service	68,172	681,444	-
Special assessments	1,490	-	-
Miscellaneous	239,675	11,356	-
Total receipts	1,746,709	703,629	-
Disbursements:			
Public safety	290,660	-	-
Public works	489,343	-	-
Health and social services	6,532	-	-
Culture and recreation	345,254	-	-
Community and economic development	-	-	-
General government	164,953	-	-
Debt service	253,919	-	-
Capital projects	146,354	-	-
Business type activities	-	738,675	-
Total disbursements	1,697,015	738,675	-
Excess (deficiency) of receipts over (under) disbursements	49,694	(35,046)	-
Other financing sources (uses), net	64,432	(82,124)	-
Excess of receipts and other financing sources over disbursements and other financing uses	114,126	(117,170)	-
Balances beginning of year	702,208	830,137	-
Balances end of year	\$ 816,334	712,967	-

See accompanying independent auditor's report.

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
790,604	755,200	755,200	35,404
108,739	104,000	119,000	(10,261)
148,016	166,376	185,228	(37,212)
10,056	5,550	5,550	4,506
39,371	45,065	55,065	(15,694)
351,415	400,913	570,913	(219,498)
749,616	719,548	741,548	8,068
1,490	3,000	5,000	(3,510)
251,031	131,704	146,704	104,327
2,450,338	2,331,356	2,584,208	(133,870)
290,660	333,195	343,195	52,535
489,343	314,438	505,492	16,149
6,532	45,650	45,650	39,118
345,254	282,774	350,973	5,719
-	1,000	1,000	1,000
164,953	191,300	209,895	44,942
253,919	265,951	265,951	12,032
146,354	150,000	150,000	3,646
738,675	717,048	895,123	156,448
2,435,690	2,301,356	2,767,279	331,589
14,648	30,000	(183,071)	197,719
(17,692)	-	213,071	(230,763)
(3,044)	30,000	30,000	(33,044)
1,532,345	1,408,148	1,279,833	252,512
1,529,301	1,438,148	1,309,833	219,468

City of Belle Plaine

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2005

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$465,923. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2005, disbursements did not exceed the amounts budgeted.

### **Other Supplementary Information**

## City of Belle Plaine

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds

As of and for the year ended June 30, 2005

	Special Revenue			Capital Projects
	Urban Renewal Tax Increment	Employee Benefits	Local Option Sales Tax	Four Corners Industrial Center
Receipts:				
Property tax	\$ -	150,280	-	-
Tax increment financing	108,739	-	-	-
Other city tax	-	128	-	-
Use of money and property	-	-	-	96
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Special assessments	-	-	-	-
Miscellaneous	-	6,711	-	133,053
Total receipts	108,739	157,119	-	133,149
Disbursements:				
Operating:				
Public safety	-	58,230	-	-
Public works	-	32,340	-	-
Health and social services	-	-	-	-
Culture and recreation	-	19,923	7,357	-
Community and economic developemnt	-	-	-	-
General government	-	13,631	-	-
Capital projects	-	-	-	141,291
Total disbursements	-	124,124	7,357	141,291
Excess (deficiency) of receipts over (under) disbursements	108,739	32,995	(7,357)	(8,142)
Other financing sources:				
Operating transfers in/(out)	(108,739)	-	36,829	-
Net change in cash balances	-	32,995	29,472	(8,142)
Cash balances beginning of year	-	1,245	-	39,787
Cash balances end of year	\$ -	34,240	29,472	31,645
<b>Cash Basis Fund Balances</b>				
Unreserved:				
Special revenue funds	\$ -	34,240	29,472	-
Capital projects fund	-	-	-	31,645
Permanent fund	-	-	-	-
Total cash basis fund balances	\$ -	34,240	29,472	31,645

See accompanying independent auditor's report

Capital Projects	Permanent					
Highway 131 Project	Medical	Equipment Accruals	Library Improvements	Community Center	Economic Development	Total
-	-	-	-	-	-	150,280
-	-	-	-	-	-	108,739
-	-	-	-	-	-	128
-	1,061	-	7,128	505	-	8,790
-	-	-	-	-	-	-
-	10,700	-	-	2,809	-	13,509
-	-	-	-	-	-	-
-	-	49,042	13,643	17,033	-	219,482
-	11,761	49,042	20,771	20,347	-	500,928
-	-	-	-	-	-	58,230
-	-	13,990	-	-	-	46,330
-	6,532	-	-	-	-	6,532
-	-	54,017	13,004	27,059	-	121,360
-	-	-	-	-	-	-
-	-	-	-	-	-	13,631
5,063	-	-	-	-	-	146,354
5,063	6,532	68,007	13,004	27,059	-	392,437
(5,063)	5,229	(18,965)	7,767	(6,712)	-	108,491
(2,155)	-	107,105	(12,904)	-	-	20,136
(7,218)	5,229	88,140	(5,137)	(6,712)	-	128,627
7,218	68,635	139,990	232,891	33,141	5,009	527,916
-	73,864	228,130	227,754	26,429	5,009	656,543
-	-	-	-	-	-	63,712
-	-	-	-	-	-	31,645
-	73,864	228,130	227,754	26,429	5,009	561,186
-	73,864	228,130	227,754	26,429	5,009	656,543



## City of Belle Plaine

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Proprietary Funds

As of and for the year ended June 30, 2005

	Enterprise			
	Water Revenue Bond Sinking	Sewer Replacement	Meter Deposits	Total
Operating receipts:				
Use of money and property	\$ -	-	-	-
Charges for service	-	-	3,825	3,825
Miscellaneous	-	-	-	-
Total operating receipts	-	-	3,825	3,825
Operating disbursements:				
Business type activities	-	-	4,699	4,699
Total operating disbursements	-	-	4,699	4,699
Excess (deficiency) of operating receipts over (under) operating disbursements	-	-	(874)	(874)
Operating transfers in/(out)	-	-	(1,400)	(1,400)
Net change in cash balances	-	-	(2,274)	(2,274)
Cash balances beginning of year	26,746	316,416	7,985	351,147
Cash balances end of year	<u>\$ 26,746</u>	<u>316,416</u>	<u>5,711</u>	<u>348,873</u>
<b>Cash Basis Fund Balances</b>				
Reserved for debt service	\$ 26,746	-	-	26,746
Unreserved	-	316,416	5,711	322,127
Total cash basis fund balances	<u>\$ 26,746</u>	<u>316,416</u>	<u>5,711</u>	<u>348,873</u>

See accompanying independent auditor's report

**Schedule 3**

City of Belle Plaine

## Schedule of Indebtedness

Year ended June 30, 2005

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Municipal Building Project - Fire Center	Oct 1, 1995	4.75 - 6.25	\$ 1,023,000
Fire Truck	Apr 20, 2000	5.49	63,700
Swimming Pool Note	Dec 1, 2000	6.00	50,000
General Obligation Equipment Note	Mar 15, 2002	4.00	50,432
General Obligation Refunding Notes	Jun 10, 2004	2.0 - 4.10	605,000
Revenue notes:			
Sewer (State Revolving Funds)	Feb 1, 1997	4.85 - 5.75	\$ 135,000

See accompanying independent auditor's report

**Schedule 3**

	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
\$	575,000	-	70,000	505,000	29,393	-
	36,381	-	7,903	28,478	1,997	-
	10,000	-	10,000	-	600	-
	16,810	-	16,810	-	708	-
	605,000	-	90,000	515,000	18,480	-
\$	1,243,191	-	194,713	1,048,478	51,178	-
\$	45,000	-	15,000	30,000	2,542	-

City of Belle Plaine  
Bond and Note Maturities

June 30, 2005

Year Ending June 30,	General Obligation Bonds			
	Municipal Building Project - Fire Center		Fire Truck	
	Issued Oct 1, 1995		Issued Apr 20, 2000	
	Interest Rates	Amount	Interest Rates	Amount
2006	5.00	\$ 75,000	5.49	28,478
2007	5.00	80,000		-
2008	5.10	80,000		-
2009	5.20	85,000		-
2010	5.25	90,000		-
2011	5.25	95,000		-
Total		<u>\$ 505,000</u>		<u>28,478</u>

Year Ending June 30,	Revenue Notes	
	Sewer	
	Issued Feb 1, 1997	
	Interest Rates	Amount
2006	5.65	\$ 15,000
2007	5.75	15,000
Total		<u>\$ 30,000</u>

See accompanying independent auditor's report

Refunding Notes		
Issued Jun 10, 2004		
		Total
2.55	85,000	188,478
3.00	85,000	165,000
3.35	90,000	170,000
3.60	95,000	180,000
3.80	95,000	185,000
4.10	65,000	160,000
	<u>515,000</u>	<u>1,048,478</u>

## City of Belle Plaine

Schedule of Receipts by Source and Disbursements By Function  
All Governmental Funds

	2005	2004
Receipts:		
Property tax	\$ 790,604	775,342
Tax increment financing	108,739	102,655
Other city tax	148,016	867
Licenses and permits	10,056	6,490
Use of money and property	28,542	29,740
Intergovernmental	351,415	261,038
Charges for service	68,172	69,554
Special assessments	1,490	3,411
Miscellaneous	239,675	221,998
Total	<u>1,746,709</u>	<u>1,471,095</u>
Disbursements:		
Operating:		
Public safety	290,660	321,695
Public works	489,343	274,544
Health and social services	6,532	9,424
Culture and recreation	345,254	262,247
Community and economic development	-	17,569
General government	164,953	170,272
Debt service	253,919	862,480
Capital projects	146,354	160,931
Total	<u>\$ 1,697,015</u>	<u>2,079,162</u>

See accompanying independent auditor's report

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance  
and Other Matters

Based on an Audit of Financial Statements Performed in Accordance with Government Auditing  
Standards

To the Honorable Mayor and  
Members of the City Council:

We have audited the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Belle Plaine, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated August 4, 2005. Our report expressed an unqualified opinion on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Belle Plaine's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Belle Plaine's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-A-05 and II-B-05 are material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Belle Plaine's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Belle Plaine and other parties to whom the City of Belle Plaine may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Belle Plaine during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

RIDIHALGH, FUELLING, SNITKER, WEBER, & CO., P.C., CPA'S

August 4, 2005



City of Belle Plaine  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2005

**Part I: Summary of the Independent Auditor's Results:**

- (a) An unqualified opinion was issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) The City of Belle Plaine was not granted federal funds in excess of the OMB A-133 Single Audit dollar threshold of \$500,000 for the year ended June 30, 2005.

City of Belle Plaine  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2005

**Part II: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

- II-A-05 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all done by the same person.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will consider this.

Conclusion – Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

- II-B-05 Credit Cards – The City has credit cards for use by various employees while on City business. The City has not adopted a formal policy to regulate the use of credit cards and to establish procedures for the proper accounting of credit card charges. Additionally, supporting documentation was not always available to support credit card charges

Recommendation – The City should adopt a formal written policy regulating the use of City credit cards. The policy, at a minimum, should address who controls credit cards, who is authorized to use credit cards and for what purposes, as well as the types of supporting documentation required to substantiate charges.

Response – We presently have unwritten guidelines. However we have not established a formal written policy detailing specifics on the use of City credit cards. We will review procedures and guidelines and establish a written policy.

Conclusion – Response accepted.

## Schedule of Findings and Questioned Costs

Year ended June 30, 2005

**Part III: Other Findings Related to Statutory Reporting:**

III-A-05 Official Depositories – A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.

III-B-05 Certified Budget – Disbursements during the year ended June 30, 2005 did not exceed the amounts budgeted. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

III-C-05 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

III-D-05 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Bill Grieder, Council Member, father owns John Grieder Motors, Inc.	Police car lease and maintenance	\$ 12,691
Richard Allen, City Employee, Owner of R.A. Tree Service	Tree removal	350

In accordance with Chapter 362.5(10) of the Code of Iowa, the transaction with John Grieder Motors, Inc. does not appear to represent a conflict of interest since it was entered into through competitive bidding. The transaction with R.A. Tree Service does not appear to represent a conflict of interest since the total transaction with the individual was less than \$1,500 during the fiscal year.

III-E-05 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

III-F-05 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

Although minutes of Council proceedings were published, they were not published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation – The City should comply with Chapter 21 of the Code of Iowa and should publish the minutes as required.

City of Belle Plaine  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2005

Response – We will comply with the Code requirements and publish the minutes as required.

Conclusion – Response accepted.

III-G-05 Revenue Bonds and Notes – The City has complied with the revenue bond and note resolutions.

III-H-05 Financial Condition – The Sewer Fund had a deficit balance at June 30, 2005 of \$14,294.

Recommendation – The City should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial position.

Response – The Council is aware of this deficit and is working to cure it.

Conclusion – Response accepted.

City of Belle Plaine

Staff

This audit was performed by:

Don Snitker, CPA, Partner  
Gina Trimble, CPA, Senior Auditor